

# Learn the Advantages: CASH VALUE WHOLE LIFE INSURANCE

## An Educational Workshop

*Presented by: James R. Grazioli - President  
Comprehensive Financial Group Inc.  
Financial Service Professional - 30 Yrs.*

**A Discussion of The  
Importance of:**  
Creating Wealth  
Saving Taxes  
Protection From Losses

# THE ADVANTAGES:

## A Properly Structured Cash Value Whole Life Insurance Policy

### MAXIMUM *Cash Value*

Death Benefit - Income Tax Free - Day 1

Earn Dividends - (Paid Every Year Since 1847)

Tax Free Growth - No Market Losses

Tax-Free Retirement - Non-Reportable  
Liquidity, Use & Control of Cash Value

Creditor Proof - Lawsuit Protected

Minimum Guaranteed Growth

Disability Waiver - Plan Completed With Cash  
Value Growth)

Chronic Illness Rider -

(Can be Used For Long Term Care Benefits)

# Whole Life Insurance Policy



Ceiling:  
Dividends Paid  
Every Year  
Since 1847

No Market  
Losses  
From  
Crashes

Guaranteed Cash Value Growth  
Never a Market Loss

## GOALS:

- Earn Dividends With a **Guarantee of No Losses:**
- Dividends Paid Every Year Since 1847
- Tax Free Growth
- Become Your Own Banker For Major Purchases
- \$\$\$ Tax Free Retirement (Non-Reportable)
- Income Tax Free Death Benefit From Day 1
- Disability Completion Benefit
- Chronic Illness Benefit – Can Be Used For Long Term Care Needs



# Why is this Product Tax Favored? Section 72(e) and 7702

- The most unique feature of permanent life insurance is that under Section 72(e) and 7702 of the Internal Revenue Code the accumulation of cash inside the insurance contract is tax advantaged. Not only can the cash value accumulate tax free, but the cash can also be ACCESSED TAX FREE VIA POLICY LOANS, and is NOT CONSIDERED A DISTRIBUTION OF INCOME!
- Hence, the beauty and magic of life insurance: It is a unique vehicle that allows TAX FREE ACCOUNT VALUE ACCUMULATION, ALLOWS YOU TO ACCESS YOUR MONEY TAX FREE, and, WHEN YOU DIE, The Death Benefit is Paid INCOME TAX FREE to your Beneficiary!

# *YOU MAY BE SHOCKED TO KNOW WHO OWNS CASH VALUE LIFE INSURANCE?*

- 1. Banks are required by regulators to keep large amounts of cash on hand to meet unexpected obligations. This is called their Tier One Capital. Banks must be able to access this money immediately and it cannot be at risk. By law Banks must keep 4% of their assets in Tier One Capital. Banks in the US own over 140 Billion of Cash Value Life Insurance because of the following reasons: Immediate access to cash, no risk, tax free growth of their money, income tax free death benefit.
- 2. Walt Disney started his investments in Disney World from his Cash Value Life Insurance Policy.
- 3. James Cash Penny borrowed money from his Cash Value Life Insurance Policy in 1929 after the crash to keep the famous J.C Penny's Stores from closing.
- 4. Ray Kroc borrowed money from his Cash Value Life Insurance policy to keep the famous McDonalds going when he first started the empire back in 1955.

# BANKS OWN LIFE INSURANCE TOTAL BOLI (BANK OWNED LIFE INSURANCE)

Represents 25% or more of their Tier One Capital

## LOAN EXPERT

**Question: Where Do Banks Hold Their Money?**

**Answer: Life Insurance (Bank Owned Life Insurance B.O.L.I)!!!**

**It represents 25% or more of their Top Tier One Capital.**

### Top 8 Reasons Why Banks Hold Their Money In Permanent Life Insurance:

- 1 Banks are highly transactional in nature and do poorly in managing conservative investments for the long haul Life companies do much better.
- 2 Bankers are smart people and they put money in BOLI because there is **NO annual taxation of capital gains or cash value increase in Life insurance.**
- 3 **Life insurance provides minimum guaranteed death benefit to banks where as taxable investments do not.**
- 4 Life insurance benefits come into the bank **income tax free.**
- 5 Unrealized gains or losses cannot be recorded on taxable investment, but banks can recognize increase in **cash surrender value as a credit to earnings.**
- 6 In period of low interest rates banks have cheap access to money from FED and they can **invest funds in Life insurance and gain all the above benefits.**
- 7 Investing in permanent Life insurance offers banks **professional money management options**
- 8 Life insurance companies are inherently stronger than banks because they do not do fractionalized lending, so they **have less exposure & are not overleveraged**

**The following numbers should be eye opener and erase all doubts about the beauty of high cash value life insurance as a quality asset. Banks do not do anything that is not in their best economic interest. The irony is , that cash value in permanent life insurance will do more for the consumer than for the banks!**

**Note: BOLI figures as of December 31, 2006.**

Bank	Total Tier One Capital Assets/\$Billions	Total BOLI Cash Value Assets/\$Billions	BOLI % of Tier One Capital	Death Benefit 5x Cash Value \$Billions
1 Bank of America	\$ 95.35	\$ 14.40	15%	\$ 72.01
2 Wachovia	\$ 32.92	\$ 12.87	39%	\$ 64.37
3 JP Morgan Chase	\$ 68.73	\$ 7.87	10%	\$ 39.35
4 Washington Mutual	\$ 21.08	\$ 4.29	20%	\$ 21.43
5 Wells Fargo	\$ 29.19	\$ 3.69	12%	\$ 18.47
6 Citibank	\$ 59.86	\$ 3.28	5%	\$ 16.41
7 U.S. Bank, NA	\$ 12.36	\$ 3.24	26%	\$ 16.21
8 Keybank, NA	\$ 6.81	\$ 2.60	38%	\$ 13.01
9 Branch Banking	\$ 8.08	\$ 2.38	29%	\$ 11.91
10 Bank of New York	\$ 5.47	\$ 1.72	31%	\$ 8.61
11 Sovereign Bank	\$ 5.02	\$ 1.72	34%	\$ 8.59
12 PNC Bank	\$ 6.16	\$ 1.62	26%	\$ 8.09
13 National City	\$ 8.38	\$ 1.57	18%	\$ 7.83
14 Regions Bank	\$ 11.10	\$ 1.25	11%	\$ 6.27
15 PNC Bank	\$ 3.30	\$ 1.16	35%	\$ 5.78



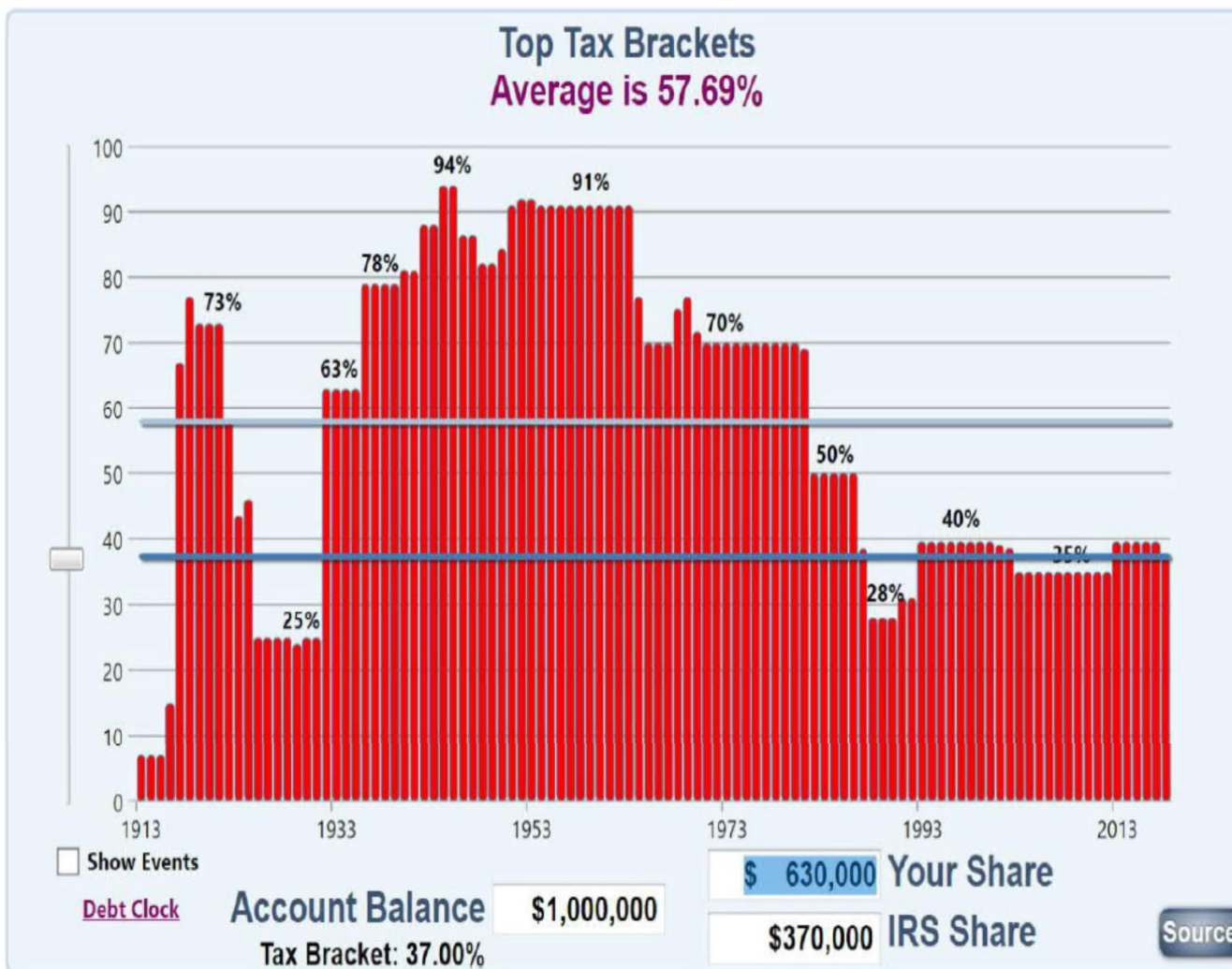
# How important is Tax-Free?

- **The following example will illustrate the beauty and magic of tax-free growth**
- **Which would you choose to pay taxes on?**
- **The seed or the full grown tree?**



# Your Circle of Wealth

## Top Tax Brackets





## 401K or IRA Bucket



**This Bucket Represents \$1,000,000 in a 401K or IRA Bucket.**  
**If you choose this bucket, and you file your taxes, Married Filing Jointly,**  
**You will pay taxes on every Dollar you pull out for Retirement.**  
**Example: If you are in a 22% tax bracket and you withdraw \$100,000, you will only net**  
**\$86,420 , and the IRS will receive \$13,580 for the retirement plan you built for them.**

## Brokerage Account Bucket



This Bucket Represents \$1,000,000 in a Brokerage Account Bucket.

If you choose this bucket, you will pay capital gains taxes on your Retirement,

Example: If you are in a 22% tax bracket, you will pay 15% Capital Gains and if you withdraw \$100,000, you will only net \$85,000 and the IRS will receive \$15,000 from the Retirement Plan you built for them.

# Life Insurance Cash Value Bucket



This Bucket Represents \$1,000,000 in a Life Insurance Cash Value Bucket.

**If you choose this bucket, you will pay NO TAXES on your Retirement,**

Example: If you withdraw \$100,000 from you Cash Value, you will **NET \$100,000!**

This Retirement money is **NON REPORTABLE!**

Which bucket would you choose for your Retirement?



# Case Study:

(This is an example: Input amounts can vary depending on the person's cash flow)



- 50 Year Old Male
- \$50,000 Contribution Per Year for 10 Years
- **\$713,131 Cash Value at Age 65\***
- **Tax Free Retirement – Non-Reportable**
- **\$1,055,193 Income Tax Free Death Benefit Day 1\*\***
- **Chronic Illness Benefit – Included in the Policy and Can Be Used for Long Term Care Needs**
- **Disability Benefit – Plan will Deposit Into Your Policy If You Are Fully Disabled**
- *\*Assuming Current Dividend Scale (Not Guaranteed)*
- *Penn Mutual has paid Dividends Every Year Since 1847*
- *\*\* Assuming a Preferred Plus Non-Tobacco Male Age 50*

# NEXT SLIDE SAMPLE ILLUSTRATION

- Shows the Premiums Paid for 10 Years
- Dividends Paid\* – Cash Value Growth Tax Deferred
- Death Benefit Increasing (Income Tax Free)
- FULL ILLUSTRATION WILL BE PROVIDED AT APPOINTMENT
- \* Assuming Current Dividend Scale (Not Guaranteed)

Insured: **Mr. Client - 50**  
 Male, Age 50, Preferred Plus Non-Tobacco  
 Contract Premium Mode: Annual  
 EPPUA Premium Mode: Annual  
 Policy Payment Period: 50 Years  
 Initial Premium: \$50,000.00

Initial Base Face Amount: \$781,625  
 Initial Flexible Protection Rider Face Amount: \$273,568  
 Initial Total Face Amount: \$1,055,193  
 Initial Dividend Option: Paid-Up Additions (PUAs)

Supplemental Ledger - Current Dividend Scale

Values

**Current Dividend Scale**  
 Refer back to the basic illustration for guaranteed elements and other important information.

Benefits and values are subject to change by Penn Mutual and are not guaranteed, actual results may be more or less favorable.

Values are based on the guarantees in your policy, as well as any non-guaranteed dividends paid at the current scale. This supplemental ledger will also reflect PUA/dividend surrenders and policy loans, if illustrated.

The policy shown in this illustration is not guaranteed to be a paid-up policy until after the policy payment period ends. Any suspension of premium shown prior to the end of the policy payment period is dependent on the dividends assumed in the illustration. Future dividends may be less than those illustrated which may result in the need to continue premium payments or resume premium payments after an initial suspension of such premium payments.

Year	Age	Pay Premiums For 10 Years			Non-Guaranteed		Change in CV Less Prem. Outlay	Total Death Benefit w/out Div	Total Death Benefit	
		Total Premium	Dividend	Premium Outlay	Cum. Premium Outlay	Total Cash Value				Change in Total Cash Value
1	51	50,000	466	50,000	50,000	30,518	30,518	-19,482	1,151,099	1,151,565
2	52	50,000	993	50,000	100,000	64,299	33,781	-16,219	1,250,450	1,251,443
3	53	50,000	3,045	50,000	150,000	112,656	48,357	-1,643	1,348,132	1,351,177
4	54	50,000	5,326	50,000	200,000	165,930	53,274	3,274	1,444,194	1,449,520
5	55	50,000	6,560	50,000	250,000	223,749	57,819	7,819	1,539,001	1,545,561
6	56	50,000	8,030	50,000	300,000	283,027	59,279	9,279	1,632,816	1,640,846
7	57	50,000	9,526	50,000	350,000	345,803	62,775	12,775	1,725,961	1,735,487
8	58	50,000	10,971	50,000	400,000	412,174	66,371	16,371	1,818,419	1,829,390
9	59	50,000	12,453	50,000	450,000	482,292	70,118	20,118	1,910,323	1,922,777
10	60	50,000	14,035	50,000	500,000	556,341	74,050	24,050	2,001,747	2,015,782
11 <sup>1</sup>	61	17,889	14,988	0	500,000	584,431	28,089	28,089	1,975,976	1,990,964
12	62	17,889	15,843	0	500,000	614,132	29,701	29,701	1,951,598	1,967,441
13	63	17,889	16,769	0	500,000	645,448	31,316	31,316	1,928,413	1,945,183
14	64	17,889	17,698	0	500,000	678,425	32,978	32,978	1,906,399	1,924,097
15	65	17,889	18,660	0	500,000	713,131	34,705	34,705	1,885,456	1,904,116
16 <sup>2</sup>	66	0	15,899	0	500,000	751,609	38,478	38,478	1,501,301	1,517,200
17	67	0	16,902	0	500,000	791,619	40,011	40,011	1,533,744	1,550,646
18	68	0	17,992	0	500,000	833,668	42,049	42,049	1,567,205	1,585,197
19	69	0	19,093	0	500,000	877,793	44,125	44,125	1,601,774	1,620,867
20	70	0	20,156	0	500,000	923,967	46,174	46,174	1,637,389	1,657,545
21	71	0	21,225	0	500,000	972,161	48,194	48,194	1,673,905	1,695,130
22	72	0	22,332	0	500,000	1,022,350	50,189	50,189	1,711,267	1,733,599
23	73	0	23,740	0	500,000	1,074,740	52,389	52,389	1,749,482	1,773,223
24	74	0	25,243	0	500,000	1,129,348	54,609	54,609	1,789,000	1,814,243
25	75	0	26,881	0	500,000	1,186,255	56,907	56,907	1,829,902	1,856,783



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# To Summarize The Benefits of: Whole Life Cash Value Life Insurance

(See The Advantages of the Living Benefits and Death Benefit)

- 1. Become Your Own Banker – Learn to Be In Control Your Own Money.**
- 2. Ability To Borrow Against Your Cash Value for Major Purchases While You Still Earn Dividends on the Borrowed Money:**  
Autos, Mortgages, Children Education, Health Insurance Deductibles, Investment Opportunities, and Emergencies. This Way You Do Not Break the Compounding Effect of Your Growth.
- 3. Income Tax Free Death Benefit - From Day 1**
- 4. Income Tax Free Retirement – Non-Reportable**
- 5. Disability Protection – Plan Can Complete and Build the Cash Value if you are Fully Disabled.**
- 6. Chronic Illness Rider – Chronic Illness Rider Included – Can Be Used for Long Term Care needs.**
- 7. Access to Your Cash Value – With no pre 59½ Penalties, like 401K or IRA.**
- 8. Creditor Proof – Protection From Lawsuits.**

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# What to look for when selecting an *Insurance Company*

- *Solvency (Assets over Liabilities to meet all obligations)*
- *Liquid Assets (To meet unforeseen emergency cash requirements that may arise)*
- *Capital & Surplus to Assets (Capital & surplus divided by total assets)*
- *AM Best Rating (Performance in Investment Quality, Policy Reserves, Cost Control, Management Experience)*



# Penn Mutual Ratings

## Building on Financial Strength

Our ratings — based on evaluations of our financial condition and operating performance — are a clear sign of our continuing strength and stability.

### A.M. Best: A+ Superior

A.M. Best's A+ (Superior) rating reflects the following:

- Strong risk-adjusted and absolute capitalization
- Diversified business profile within core product lines
- Well-established and focused on growth strategy
- Commitment to maintaining mutuality.

**A.M. Best's Financial Strength Rating (FSR)** is an opinion of an insurer's ability to meet its obligations to policyholders. A.M. Best uses letter grades ranging from A++, the highest, to F, companies in liquidation. Rating modifiers and affiliation codes may also be associated with these ratings. Penn Mutual's A+ (Superior) rating, which was affirmed in March 2018, ranks the second highest out of 16 ratings.

### Moody's Investors Service: Aa3 Excellent

Moody's Aa3 (Excellent) rating is a result of the following:

- Excellent capitalization
- Good asset quality and excellent liquidity
- Stability of earnings.

**Moody's** uses a letter grade scale that ranges from Aaa, the highest rating, to C, the lowest rating. It also applies modifiers (1, 2 or 3) for ratings below Aaa to indicate the approximate rank of the company in a particular class. These rating gradations provide investors with a system for measuring an insurance company's ability to meet its policyholder claims and obligations. Penn Mutual's Aa3 (Excellent) rating, which was reaffirmed in October 2017, ranks the fourth highest out of 21 ratings.

### Standard & Poor's: A+ Strong

Standard & Poor's attributes its A+ (Strong) rating to the following factors:

- Extremely strong financial risk profile
- Extremely strong capital adequacy
- Strong business profile.

**Standard and Poor's** uses a letter grade scale that ranges from AAA, the highest rating to CCC, the lowest rating. Ratings from AA to B may be modified by a plus or minus sign to show relative standing within those grades. An insurer rated "BBB" or higher is regarded as having financial security characteristics that outweigh any vulnerability, and is highly likely to have the ability to meet financial commitments. Penn Mutual's A+(Strong) rating was applied in December 2017 and ranks fifth highest out of 21 ratings.

*For more information about our ratings, please visit [www.pennmutual.com](http://www.pennmutual.com).*

*The ratings quoted above apply only to our claims-paying ability and not to the products we offer or their underlying investments.*



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■ 1912

Penn Mutual Pays \$130,000 in Death Claims on the Victims of the Titanic.



■ 1863

In Mid-June, Trustees Consider How to Safeguard Penn Mutual's Securities Against a Possible Attack on Philadelphia During the Civil War.



# Penn Mutual's Dividend Has Transcended Challenging Times

Founded in 1847, Penn Mutual has never failed to pay a dividend to eligible policyholders.

While dividends are never guaranteed, Penn Mutual's commitment to mutual company values—such as taking a long-term perspective and putting policyholders first—has resulted in its enduring financial strength and ability to weather storms.



For more information, please contact your adviser or visit [www.pennmutual.com](http://www.pennmutual.com).



- 1847** Penn Mutual Life Insurance Company is founded
- 1861** The American Civil War begins
- 1917** The United States enters World War I
- 1929** The Great Depression begins
- 1941** The United States enters World War II
- 1963** John F. Kennedy is assassinated
- 1990** The Gulf War begins
- 2001** The United States is attacked on September 11th
- 2008** The global financial crisis begins
- Today** Penn Mutual continues to maintain its financial strength, mutual company values and position as a life insurance industry leader

## The strongest dividend history over the last 20 years.

Penn Mutual's strong dividend history is driven by a prudent fiscal approach that emphasizes underwriting discipline and long-term stability over short term gains.

### Dividend Action History 2000 - 2019

	<b>Penn Mutual</b>	Brighthouse*	Guardian	Lafayette Life	Mass Mutual	National Life of Vermont	New York Life	Northwestern	Ohio National
2019	Decreased	Maintained	Maintained	Maintained	Maintained	Maintained/Decreased	Decreased	Increased	Maintained
2018	Maintained	Maintained	Maintained	Maintained/Decreased	Decreased	Decreased	Decreased	Decreased	Decreased
2017	Maintained	Decreased	Decreased	Maintained	Decreased	Maintained/Decreased	Maintained	Decreased	Decreased
2016	Maintained	Decreased	Maintained	Maintained	Maintained	Maintained	Maintained	Decreased	Maintained
2015	Maintained/Increased	Maintained	Decreased	Maintained	Maintained	Maintained	Increased	Maintained	Maintained/Decreased
2014	Maintained	Maintained/Decreased	Decreased	Decreased	Increased	Maintained	Increased	Maintained	Maintained
2013	Maintained	Decreased	Decreased	Decreased	Maintained	Decreased	Increased	Decreased	Decreased
2012	Maintained	Maintained	Increased	Decreased	Increased	Decreased	Decreased	Decreased	Maintained
2011	Maintained	Decreased	Decreased	Decreased	Decreased	Maintained	Maintained	Decreased	Decreased
2010	Maintained	Decreased	Decreased	Maintained	Decreased	Maintained	Decreased	Decreased	Maintained
2009	Maintained	Maintained/Decreased	Increased	Maintained	Decreased	Maintained	Decreased	Decreased	Decreased
2008	Maintained/Decreased	Maintained	Increased	Maintained/Decreased	Increased	Maintained	Maintained	Maintained	Maintained
2007	Maintained	Maintained	Increased	Maintained	Increased	Maintained	Maintained	Maintained	Maintained
2006	Maintained	Decreased	Decreased	Maintained	Increased	Maintained	Maintained	Maintained	Decreased
2005	Maintained	Decreased	Increased	Maintained	Decreased	Decreased	Maintained	Decreased	Decreased
2004	Decreased	Maintained	Decreased	Decreased	Decreased	Decreased	Maintained	Decreased	Decreased
2003	Decreased	Decreased	Decreased	Decreased	Decreased	Decreased	Decreased	Decreased	Maintained
2002	Maintained	Decreased	Decreased	Maintained	Decreased	Maintained	Decreased	Decreased	Decreased
2001	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained
2000	Maintained	Maintained	Decreased	Maintained	Decreased	Maintained	Maintained	Maintained	Maintained

### Fewer Dividend Scale Decreases

Over the last two decades Penn Mutual's long-term perspective has paid off in far fewer dividend scale decreases than the competition.

Number of Dividend Scale Decreases Since 2000	<b>Penn Mutual</b>	Brighthouse*	Guardian	Lafayette Life	Mass Mutual	National Life of Vermont	New York Life	Northwestern	Ohio National
	<b>4</b>	11	11	8	10	8	7	12	10

\*Formerly MetLife.



# Understanding Dividend Actions

Dividends are non-guaranteed payments to policyholders set by the insurance company for a group (or 'block') of participating life insurance policies at the end of each calendar year, for the following policy year. They are based on the actual performance of the block of policies across several key measures, compared to what was anticipated when the policies were originally priced and the dividend was last changed. Dividend actions provide an indication of a company's financial strength and underwriting expertise.

## Penn Mutual's Strong Dividend Action History

Penn Mutual's strong dividend history is primarily tied to two key components that drive our dividends:

- 1 Favorable mortality experience
- 2 Strong investment yields that exceed industry averages

### 1 Favorable Mortality Experience

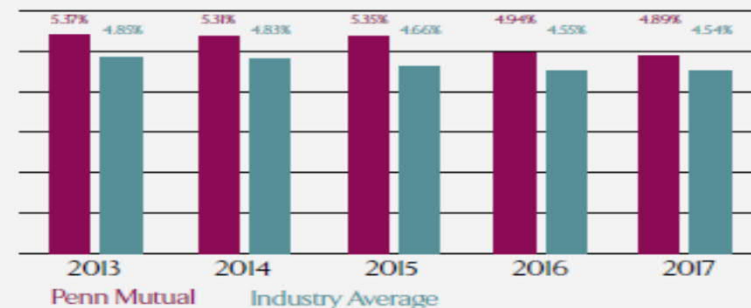
Penn Mutual's favorable mortality experience is the by-product of diligent risk management practices and underwriting expertise and discipline.

### 2 Above Average Investment Yields

While no company can be completely insulated from the prevailing market environment, Penn Mutual's prudent investment philosophy puts us at a distinct advantage. Because of our approach and size, we can be nimble and flexible with respect to seeking out unique, long-term investment opportunities.

This investment agility, combined with strong performance from Janney Montgomery Scott (our retail broker-dealer affiliate) and our holdings in the venture capital space, have led to Penn Mutual's above average investment results.

The chart below shows how Penn Mutual's investment yield has compared with the industry average since 2013.\*



\*Statutory net income for all Penn Mutual assets, including the assets supporting participating whole life policies. Industry yields based on Financial Management, 2017 Report.

For information about Penn Mutual's dividend action stability and financial strength, or to learn more about Penn Mutual's competitive Whole Life product, please contact your Field Office or call the Life Sales Desk at 1-800-818-8184, option 4.

#### For Advisor Use Only.

All guarantees are based on the claims paying ability of the issuer. Dividends are not guaranteed and past performance is not indicative of future results. Dividend scale comparison developed using information believed to be accurate as of November 2018. Penn Mutual information in the dividend scale comparison is based on the whole life products in force during the years reported.

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Remember the Nature of

Procrastination

People Don't Plan to Fail

*They Fail to Plan*

# Thank You For Attending This Presentation

## Where Do You Go From Here?

Presented by: James R. Grazioli - President  
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Financial Service Professional – 30 Yrs.

Call James R. Grazioli  
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